

Agenda Date: March 26, 2009  
Item Number: B1

**Docket:** **TG-090086**  
Waste Management of Washington, d/b/a Waste Management - Northwest, G-237

Staff: Layne Demas, Transportation Program Staff  
Dennis Shutler, Consumer Protection Staff

### **Recommendation**

1. Dismiss the Complaint and Order Suspending the Tariff Revisions filed by Waste Management of Washington, d/b/a Waste Management - Northwest, and
2. Allow the temporary rates to become effective March 27, 2009, on a permanent basis.

### **Discussion**

On January 14, 2009, Waste Management of Washington, d/b/a Waste Management - Northwest, (Northwest or company), filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate approximately \$6,900,000 (17.5 percent) in additional annual revenue. The proposed effective date is March 1, 2009. The tariff revisions propose to increase rates for garbage, curbside recycling, and yard waste collection services. The proposed rate revisions are prompted by increases in disposal fees, recycle and yard waste processing costs, labor, fuel, medical insurance, pension costs, and other operating expenses. Snohomish County is increasing its disposal fee from \$89 to \$105 (18 percent) per ton. Northwest serves approximately 88,000 residential and commercial customers in Snohomish County. Northwest's last rate increase was effective June 1, 2005.

Staff's analysis showed Northwest's proposed rates were excessive. Staff and the company negotiated revised rates that would generate approximately \$6,300,000 (15.4 percent) in additional revenue. On February 17, 2009, the company filed substitute pages with the commission at staff's revised rates. The filing was suspended at the February 26, 2009, open meeting to allow for additional customer comments and the revised rates were allowed to become effective March 1, 2009, on a temporary basis, subject to refund.

### **Customer Comments**

A total of 165 customer comments have been received to date; 153 opposed, eight undecided, and four in support. On March 9, 2009, staff notified interested persons of the revised rates. One customer commented on the revised rates. Please note: Customers often address several issues of concern within one comment. Therefore, subtotals may not equal the total number of comments submitted.

Consumer Protection staff advised customers that they have access to all company documents pertinent to this rate case at [www.utc.wa.gov](http://www.utc.wa.gov), and that they may contact Dennis Shutler at 360-664-1108 with questions or concerns.

### **Filing Documents and Methodology Comments**

- Twenty-nine customers commented on fuel expenses as a component of the rate increase request, even though fuel costs have gone down.

#### **Staff Response**

The cost of fuel embedded in current rates, effective June 2005, is \$2.02. The company's fuel surcharges have recovered a portion of the fuel costs that were higher than the cost of fuel embedded in rates – the most recent price was \$4.15 in October 2008. The cost of fuel embedded in the proposed rates is \$3.67, and the fuel surcharges will expire.

- One customer questioned why staff recommended a recycle rate higher than what the company requested.

#### **Staff Response:**

Recycle rates have gone up due to wage and benefit parity. Historically, recycle drivers were paid significantly less than regular garbage truck drivers. The trucks were smaller and lighter and no commercial driver's license was necessary. With the county mandate of single stream recycling, the recycle routes now use compactor trucks identical to the ones used for garbage. The union pushed for and was successful in obtaining the same wage and benefit package enjoyed by the garbage operations.

### **Service Quality Comments**

- Forty-one customers stated charges should not be billed when services are not provided, such as during inclement weather.

#### **Staff Response**

Companies are not required to credit for missed pickups if they collect what was missed when conditions permit.

- Two customers believe if they are away on vacation, the company should suspend the service and cease billing charges when no service is provided for weeks or months in the customer's absence.

#### **Staff Response**

Waste Management's policy is when a customer is on vacation for at least one month and they request that their service be suspended, the charges will be credited.

### **Business Practices Comments**

- Ten customers suggested differing levels of service from what is provided today, specifically; service once a month rather than weekly, service every other week rather than weekly, garbage cans smaller than 20 gallons, and yard waste totes smaller than 96 gallons.

### **Staff Response**

Staff forwarded these suggested service options to the company. The company responded stating if there was a sizeable interest and demand for additional levels of service, the company would consider this.

- One customer asked why the company is not developing a system to incinerate the garbage.

### **Staff Response**

The option of incineration is a decision of the county, and such consideration is not a part of the county's solid waste plan.

### **General Comments**

- Ninety customers believe the amount of the increase is unacceptable and unaffordable; mentioning already high rates, increased cost of living and today's economic conditions as the reason for their opposition.

### **Staff Response**

Staff advised customers that state law requires rates to be fair and reasonable for customers, but sufficient to allow the company the opportunity to recover operating expenses and earn a return on investment.

### **Rate Comparison**

<b><u>Residential - monthly rates</u></b>	<b><u>Present</u></b>		<b><u>Proposed</u></b>		<b><u>Revised</u></b>
One Mini Can Per Week	\$7.45		\$8.90		\$7.70
One 32 Gallon Can Per Week	\$12.30		\$14.90		\$13.75
One 35 Gallon Cart Per Week	\$13.25		\$16.10		\$14.80
Mandatory Curbside Recycling	\$6.70		\$7.50		8.65
Recycling Commodity Credit ( <i>expires July 31, 2009</i> )	(\$2.82)		(\$2.82)		(\$2.82)
Voluntary Yard waste	\$9.20		\$10.80		\$9.55
<b><u>Commercial - per pickup</u></b>					
One Yard Container	\$13.30		\$16.60		N/C
Two Yard Container	\$22.90		\$28.60		N/C
Drop Box 10-50 Yard sizes	\$104.90		\$117.50		N/C

**Average Customer Charge Comparison – One 35 Gallon Cart Customer**

<b><u>Monthly Service</u></b>	<b><u>Present</u></b>		<b><u>Proposed</u></b>		<b><u>Revised</u></b>
Garbage	\$13.25		\$16.10		\$14.80
Mandatory Recycling- <i>net of commodity credit</i>	<u>\$3.88</u>		<u>\$4.68</u>		<u>\$5.83</u>
Total Garbage and Mandatory Recycling	\$17.13		\$20.78		\$20.63
Percentage increase			21.3%		20.4%
Voluntary Yard waste	\$9.20		\$10.80		\$9.55
Total: Garbage, Mandatory Recycling and Voluntary Yard waste	\$26.33		\$31.50		\$30.18
Percentage increase			19.6%		14.6%

Commission staff has completed its review of the company's supporting financial documents, books and records. Staff's review shows that the expenses are reasonable and required as part of the company's operations. The one additional customer comment does not change staff's opinion that the company's financial information supports the revised revenue requirement and the revised rates and charges are fair, just, reasonable, and sufficient.

**Conclusion**

1. Dismiss the Complaint and Order Suspending the Tariff Revisions filed by Waste Management of Washington, d/b/a Waste Management - Northwest, and
2. Allow the temporary rates to become effective March 27, 2009, on a permanent basis.